

Message Text

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TO AMEMBASSY MONROVIA
INFO USMISSION GENEVA

C O N F I D E N T I A L STATE 201429

GENEVA FOR AMBASSADOR CARTER

E.O. 11652: GDS

TAGS: EINV, ENRG, LI

SUBJECT: LRC

REF: A. MONROVIA 5335; B. STATE 180083

1. SUMMARY: DYNALECTRON CORPORATION HAS CONTACTED THE DEPARTMENT OF STATE REGARDING THE MEETINGS HELD AUGUST 8-9 WITH THE GOVERNMENT OF LIBERIA (GOL) TO DISCUSS THE LATEST STAGE OF NEGOTIATIONS ON THE LIBERIA REFINING COMPANY (LRC). HOUSE MAJORITY LEADER JAMES WRIGHT ALSO EXPRESSED TO THE DEPARTMENT HIS INTEREST IN A SPEEDY RESOLUTION OF THIS MATTER. EMBASSY IS REQUESTED TO APPROACH THE GOL AND CONVEY THE POINTS CONTAINED IN PARAGRAPH 11. END SUMMARY.

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2. DEPARTMENT HAS RECEIVED LETTER (TEXT POUCHED) FROM DAVID L. REICHARDT, VICE PRESIDENT AND GENERAL COUNSEL OF DYNALECTRON, DESCRIBING MEETING BETWEEN DYNALECTRON/ SUN AND GOL REPRESENTATIVES ON AUGUST 8 AND 9. ACCORDING TO REICHARDT, DYNALECTRON AND SUN INFORMED GOL THAT THEIR INTEREST IN LRC WAS WORTH \$12.9 MILLION - \$3.9 MILLION FOR

DYNALECTRON AND \$9 MILLION FOR SUN. THIS CONTRASTS WITH \$20 MILLION JOINT INVESTMENT BY TWO COMPANIES IN LRC.

3. IN RESPONSE TO COMPANIES' OFFER, GOL MADE FOLLOWING COUNTERPROPOSAL: A) A RECOMMENDED PAYMENT OF \$5-6 MILLION FOR THE SUN/DYNALECTRON STOCK (INCLUDING APPROXIMATELY 13 PERCENT PRESENTLY IN ESCROW IN LIBERIA) PROVIDED ALL LRC OBLIGATIONS TO DYNALECTRON, SUN AND THIRD PARTIES ARE FULLY SATISFIED.

B) ALL RECEIVABLES WOULD REMAIN INTACT AND WOULD BE TRANSFERRED TO THE LIBERIAN GOVERNMENT OR A NEW BUSINESS ENTITY.

C) US STOCKHOLDERS WOULD BE REQUIRED TO HANDLE SEPARATELY THE SALE AND DISPOSITION OF APPROXIMATELY \$4 MILLION OF CRUDE INVENTORY STORED IN MONROVIA, WITH NO GUARANTEED EXPORT PERMIT OR PURCHASE BY THE GOVERNMENT.

4. ACCORDING TO REICHARDT, THIS PROPOSAL IS, IN EFFECT, LOWER THAN THE APRIL 29 OFFER BY THE GOL OF \$1.5 MILLION FOR LRC'S ASSETS. HE REASONS THAT APPROXIMATELY \$12 MILLION IN CASH WOULD BE REQUIRED TO SATISFY LRC'S OUTSTANDING LIABILITIES. ASSUMING CRUDE INVENTORY COULD BE SOLD FOR \$4 MILLION, HE CALCULATED NET PROCEEDS UNDER THIS ARRANGMENT COULD BE A NEGATIVE \$2 MILLION. IN HIS CONFIDENTIAL

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LETTER, REICHARDT DESCRIBES THE OFFER AS AN EXPRESSION OF BAD FAITH, AND EXPRESSES GREAT CONCERN OVER THE FACT THAT ONE MEMBER OF THE GOL NEGOTIATING TEAM, A CONSULTANT, ALSO REPRESENTS COASTAL STATES REFINING COMPANY, "A PARTY HAVING A NUMBER OF POTENTIALLY COMPETITIVE INTERESTS VIS-A-VIS THE LRC STOCKHOLDERS". DYNALECTRON INTENDS TO CONTINUE TO PRESS ITS EXPROPRIATION CLAIM, BUT REMAINS WILLING TO NEGOTIATE IN GOOD FAITH OVER LRC.

5. WE DISCUSSED CONTENT OF REICHARDT'S LETTER WITH HIM AND JOHN SCHELLING, SENIOR VICE PRESIDENT OF DYNALECTRON, BY TELEPHONE ON AUGUST 19. REICHARDT SAID THAT THE GOL TEAM AT THE AUGUST MEETING WAS COMPOSED OF SAMUEL GOODING, (AN ASSISTANT TO DEPUTY FINANCE MINISTER GERALD PADMORE), HENRIETTA KOENIG, (A LEGAL ASSISTANT) AND FLIMANE BOUGUERRA, AN ALGERIAN NATIONAL WHOM DYNALECTRON LATER DISCOVERED IS A CONSULTANT FOR COASTAL STATES REFINING COMPANY, CURRENTLY ENGAGED IN SOME ASPECTS OF MARKETING AND PORT AND PIPELINE MANAGEMENT IN LIBERIA. REICHARDT SAID BOUGUERRA WAS THE LEADING NEGOTIATOR ON THE LIBERIAN SIDE.

6. REICHARDT SAID HE HAD SENT A TELEX TO THE GOL EXPRESS-

ING SURPRISE THAT IT WOULD MAKE SUCH AN OFFER DESCRIBED
IN PARA 3. HE FELT THE TELEX MAY GIVE THE GOL AN OPPOR-
TUNITY TO REPLY THAT IT HAD NOT BEEN AWARE OF THE NET
EFFECT OF ITS OFFER, AND TO REVISE ITS TERMS. REICHARDT

WILL PROVIDE US WITH A COPY.

7. REICHARDT COMMENTED THAT IT WAS NOT CLEAR TO HIM WHAT
STRATEGY, IF ANY, THE GOL WAS PURSUING. HE THOUGHT IT
POSSIBLE THAT THE LIBERIAN NEGOTIATORS HAD NOT BEEN AWARE
OF THE SIZE OF LRC'S LIABILITIES, ALTHOUGH REICHARDT SAID
HE HAD OBTAINED THE FIGURES THROUGH THE CHEMICAL BANK
FROM THE BANK OF LIBERIA, AND THAT THEY WERE THUS EQUALLY
AVAILABLE TO THE GOL. HE SAID DYNALECTRON HAD ENTERED
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THE MEETING ON AUGUST 8 IN AN OPTIMISTIC FRAME OF MIND,
ENCOURAGED BY THE FACT THAT THE LIBERIANS HAD SUGGESTED
THE MEETING. PARTLY BECAUSE THEY WERE OPTIMISTIC, THE
COMPANIES SAID THEY WERE WILLING TO DISCUSS A VALUATION
BASED ON \$12.9 MILLION AS OPPOSED TO \$20 MILLION JOINT
INVESTMENT.

8. REICHARDT SAID DYNALECTRON HAD ALSO BEEN IN TOUCH
WITH LLOYDS OF LONDON'S LEADING UNDERWRITER IN NEW YORK,
STEPHEN MERRETT, CHAIRMAN OF MERRETT, DIXEY SYNDICATES
LTD. MERRETT HAS AGREED TO MAKE INQUIRIES OF THE GOL.
REICHARDT FEELS THAT SINCE DYNALECTRON'S INTEREST IN LRC
WOULD BE SUBROGATED TO LLOYDS IF LLOYDS PAID DYNALECTRON'S
EXPROPRIATION INSURANCE CLAIM, LLOYDS' INQUIRY COULD HAVE
A CATALYTIC EFFECT ON THE GOL.

9. DYNALECTRON SENT A COPY OF THE LETTER DESCRIBED IN
PARAS 2-4 ABOVE TO ITS CONGRESSMAN, JAMES WRIGHT, HOUSE
MAJORITY LEADER, AND IS KEEPING HIM INFORMED. WRIGHT HAS
MADE ONE INQUIRY (REF B) ON BEHALF OF DYNALECTRON TO THE
STATE DEPARTMENT, AND CONTINUES TO TAKE AN INTEREST.

10. ALTHOUGH WE ARE PLEASED THAT THE PARTIES CONTINUE TO
MEET, WE ARE CONCERNED OVER THE OUTCOME OF THE AUGUST 8-9
MEETINGS AND BELIEVE THAT WE MUST SEEK TO AVOID A
DETERIORATION OR BREAKDOWN OF NEGOTIATIONS. ACCORDINGLY,
WE BELIEVE WE MUST NOW PLAY A MORE ACTIVE ROLE.

11. ACTION REQUESTED: EMBASSY MONROVIA SHOULD SEEK AN
EARLY APPOINTMENT WITH FINANCE MINISTER PHILLIPS OR
ANOTHER WELL-INFORMED SENIOR REPRESENTATIVE OF THE GOL TO
MAKE THE POINTS BELOW. THIS INFORMATION WILL ALSO BE
GIVEN TO AMBASSADOR DENNIS HERE IN WASHINGTON.
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A) YOU SHOULD NOTE THAT BOTH THE COMPANIES AND THE GOL HAVE KEPT US INFORMED OF THE PROGRESS OF THE NEGOTIATIONS. YOU SHOULD EMPHASIZE THAT WE SHARE THE DESIRE OF BOTH PARTIES TO REACH A MUTUALLY ACCEPTABLE SOLUTION AS SOON AS POSSIBLE.

B) YOU SHOULD SOLICIT GOL VIEWS OF THE MEETING OF AUGUST 8 AND 9, AND NOTE THE COMPANIES' CONCERN THAT THE NET EFFECT OF THE LIBERIAN OFFER ACCORDING TO THEIR CALCULATIONS APPEARS LOWER THAN ITS EARLIER OFFER. YOU MAY SUGGEST THE POSSIBILITY THAT THE LIBERIAN NEGOTIATORS MAY NOT HAVE BEEN AWARE OF THE DETAILS OF THE LIABILITIES OF LRC. IF THIS WERE THE CASE, THE GOL MIGHT WISH TO REVISE ITS OFFER ACCORDINGLY.

C) YOU SHOULD INFORM THE GOL THAT THERE IS CONGRESSIONAL INTEREST IN THE CASE, THAT THE DEPARTMENT HAS HAD AN INQUIRY FROM A LEADING MEMBER, AND THAT CONGRESSIONAL INTEREST CAN BE EXPECTED TO GROW AND REACH THE ATTENTION OF PRESIDENT CARTER VERY PROMPTLY IF NEGOTIATIONS ARE UNPRODUCTIVE. YOU MAY NOTE OUR CONCERN THAT THE EXCELLENT REPUTATION LIBERIA ENJOYS ON THE HILL, EXEMPLIFIED BY THE INVITATION TO PRESIDENT TOLBERT TO ADDRESS A JOINT MEETING OF CONGRESS DURING HIS STATE VISIT LAST YEAR, MIGHT BE ADVERSELY AFFECTED IF THIS DISAGREEMENT IS PROLONGED.

D) YOU SHOULD SUGGEST THE DESIRABILITY OF COMING TO AN AGREEMENT WITH THE COMPANIES AS SOON AS POSSIBLE ON THE VALUE OF THE LRC INVESTMENT INVOLVED.

E) YOU SHOULD INDICATE OUR CONTINUING INTEREST IN RECEIVING GOL VIEWS ON THIS MATTER, NOTING THAT WE ARE PREPARED TO ASSIST IN ANY APPROPRIATE WAY TO FACILITATE A MUTUALLY ACCEPTABLE OUTCOME.

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12. THE NEXT EXPROPRIATION GROUP MEETING IS SCHEDULED FOR SEPTEMBER 1. WE WOULD APPRECIATE EMBASSY REPORT ON DEMARCHE PRIOR TO THAT TIME, IF POSSIBLE, SINCE LRC MATTER WILL BE ONE OF MAIN AGENDA ITEMS.

CHRISTOPHER

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